MINERAL COMMODITIES LIMITED

ABN 39 008 478 653

2008

ANNUAL REPORT

Corporate Directory

Directors	Joseph Anthony Caruso - Non-Executive Chairman Mark Victor Caruso - Managing Director Gregory Hugh Steemson – Non-Executive Director
Company Secretary	Peter Torre
Registered Office	Unit 15, Level 1 51-53 Kewdale Road Welshpool Western Australia 6106 Telephone: (61 8) 9353 4890 Facsimile: (61 8) 9353 4894 Email: info@mncom.com.au Website: www.mncom.com.au
Solicitors	Steinepreis Paganin Level 4, Next Building 16 Milligan Street Perth WA 6000
Auditors	BDO Kendalls Audit and Assurance (WA) Pty Ltd 128 Hay Street Subiaco, Western Australia 6008
Share Registry	Advanced Share Registry Ltd 150 Stirling Highway Nedlands, Western Australia 6009 Telephone:(61 8) 9389 8033 Facsimile: (61 8) 9389 7871
Bankers	Australia & New Zealand Banking Group Ltd 77 St George's Terrace Perth WA 6000
Stock Exchange Listing	The Company is Listed on the Australian Stock Exchange Limited under ASX Code - **MRC**

Contents

Chairman's Letter

Dear Shareholders

The year 2008 proved to be a year of varied outcomes for your Company. As indicated in my letter to you last year, the Company's persistence resulted in the Mining Right being granted for the Tormin Mineral Sands Project. The execution of the Mining Right eventually took place in November 2008.

The Company has since commenced procedures to appoint an engineering group to update the existing feasibility study. Based on a positive outcome to this phase of work, the Company will let a tender for a turn key project to produce zircon and rutile concentrate. On the current schedule, the plant should be operational by the end of calendar 2010.

The approval of the Mining Right for the Xolobeni Project has proved to be a more arduous process. Despite being advised that the Mining Right was forthcoming, the Company was informed that an appeal was lodged against the decision which will result in further delays in this process. The Company will continue to pursue this project as its merits are substantial.

During the year, the Company actively sought to divest its interests in its Sierra Leone Diamond Operations and was successful in securing a bidder for the project. This, however, was frustrated via the intervention of parties in Sierra Leone which created legal impediments to the sale. The Company has continued in an attempt to remove these impediments so that these assets can be dealt with accordingly. The Board will continue to ensure that the Company exits this project in the most efficient and economic manner.

The Company maintained its large holding in Allied Gold Limited despite having to sell a few parcels of shares in order to fund ongoing operations. Allied Gold Limited has evolved into a significant gold producer and is extremely well placed to capitalise on the current strong gold markets.

The Company is also positioning itself to divest other smaller investments, in particular its investment in Petro Ventures Limited which should result in a positive return to the Company, providing further working capital to develop the Tormin Mineral Sands Project.

I would once again like to thank the employees of the Mineral Commodities Group for their tolerance and perseverance throughout the past year and in particular for their continued commitment and efforts. I would also like to thank you our shareholders for maintaining your confidence in the Group in these difficult global economic times and hope that your support will continue.

Joseph A. Caruso
Chairman

Directors' Report

The Directors present their report together with the Financial Report of Mineral Commodities Limited ("the Company") and its controlled entities ("the Group") for the year ended 31 December 2008.

DIRECTORS

The Directors of the Company in office during or since the end of the financial year are:

- Mr Joseph A Caruso – Non Executive Chairman
- Mr Mark V Caruso – Managing Director
- Gregory Hugh Steemson - Non Executive Director

Directors have been in office since the start of the financial year to the date of this report.

DIRECTORS' INFORMATION

Joseph Anthony Caruso (63 Years of Age)
Non-Executive Chairman

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Construction Manager of Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has considerable experience in managing and administration of engineering, mining, raw materials production operations, earthmoving and related infrastructure utilities services resource contracts. Mr Caruso has been a director of Mineral Commodities Limited since September 2000.

Mark Victor Caruso (47 Years of Age)
Managing Director

Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Simto Australia Pty Ltd, both of which are involved in mining, earthmoving and civil engineering construction earthworks. Mr Caruso has been a director of Mineral Commodities Limited since September 2000. He is also a Director of Allied Gold Limited. Former directorships of public listed companies in the last 3 years are CI Resources Limited from October 2003 to May 2007.

Gregory Hugh Steemson (56 Years of Age)
Non Executive Director

Mr Steemson is a qualified Geologist and Geophysicist with an extensive background in exploration, development and management of mining projects. Mr Steemson has been a Director of the Company since April 2001. Mr Steemson is also a Director of Allied Gold Limited. Former directorships of public listed companies in the last 3 years include Sandfire Resources Limited from June 2003 to August 2007.

Due to the size of the Company, all directors consider matters which would normally be dealt with by Audit and Remuneration Committees.

COMPANY SECRETARY

Peter Torre CA, ACIS, MAICD
Mr Torre was appointed Company Secretary of Mineral Commodities Limited in July 2006. He is a Chartered Accountant and a Chartered Secretary. He was previously a partner of an internationally affiliated firm of Chartered Accountants. Mr Torre is the Company Secretary of several ASX listed companies and is a Director of ORT Limited and Carbine Resources Ltd.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was exploration for mineral sands and other mineral resources. This has mainly involved exploration and evaluation of the Xolobeni Mineral Sands Project in the Eastern Cape Province of South Africa and the Tormin Mineral Sands Project in the Western Cape Province of South Africa.

There were no significant changes in the nature of activities of the Group during the year.

Directors' Report (Continued)

CONSOLIDATED RESULTS

The loss of the group after income tax and outside equity interests was $1,515,661 (2007: Loss of $7,010,080)

DIVIDENDS

No dividends have been paid, declared or recommended for payment, in respect of the current financial year.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

Highlights of the Company's operations for the period under review are as follows:

South African Projects

Xolobeni Mineral Sands Project

In March 2007, Mineral Commodities Limited's (MRC's) majority owned South African subsidiary Transworld Energy and Minerals Resources SA Pty Ltd (TEM) lodged the Mining Right Application for the Xolobeni Heavy Mineral Sands Project with the Department of Minerals and Energy (DME) in Port Elizabeth.

TEM has since completed the Environmental Impact Assessment (EIA), which was submitted to the DME on 22 October 2007. After a series of government department and public meetings aimed at reviewing the scope and outcomes of the EIA and accompanying Environmental Management Programme (EMP), an updated report was resubmitted on 20 December 2007. This report addressed the various matters arising from the consultation process.

During the year, TEM attended meetings at the DME's head offices in Pretoria and regional office in Port Elizabeth to clarify various aspects of the application. Briefing sessions with XolCo (MRC's Black Economic Empowerment BEE) partner and the Tribal Authority also continued during the period to update the community on the Mining Right Application process and position.

On 4 August 2008, the Company announced that it has received notification from the DME that they will proceed to grant to TEM, the Mining Right for the Kwanyana block within the Xolobeni Mineral Sands tenement area. The remaining areas will be held under a Prospecting Right valid to 2010 which can be extended until applications are made to convert the remaining areas to Mining Rights on a block by block requirement.

Initial indications were that the Xolobeni Mining Right was to be signed on 31 October 2008. The Minister of Minerals and Energy (the Minister) and a high level delegation visited the Xolobeni Project in August 2008 and in an open meeting with the AmaDiba community members advised that the Xolobeni Mining Right would be granted. However in September 2008, the Company was advised that on behalf of the AmaDiba Crisis Committee (the ACC) and its members, the Grahamstown office of the Legal Resources Centre had filed a Notice of Appeal (the Appeal) with the Minister. The ACC requested the Minister to suspend and then appeal the decision to grant the mining right.

The issue date of the Mining Right has been deferred pending the outcome of the Appeal.

Tormin Mineral Sands Project

The Tormin deposit is covered by two tenements, one held by the Company and the other held in the name of Steenvas Pty Ltd but under option to the Company.

On 15 February 2008 the Company received notification from the DME that the Mining Right had been granted to its South African subsidiary Mineral Sands Resources (Pty) Ltd and as announced on 28 November 2008, the Mining Right and the Steenvas Mining Right Conversion were executed by the respective companies and the DME.

The execution of the mining right was underpinned by the entering into of a new Black Empowerment arrangement with Xolco, the Company's BEE partner on the Xolobeni Mineral Sands Project.

The Company has commenced proceedings to appoint an engineering contractor to complete the final plant design and engineering.

The Company also announced subsequent to year end that the DME has granted to its South African subsidiary Mineral Sands Resources (Pty) Ltd, a Reconnaissance Permit (Permit) over the marine area adjacent to its Tormin Mineral Sands Project. The area is approximately 12 km long and 1 km wide from the low water mark out to sea enclosing an area of 1280ha. The Permit allows for a prospecting of zircon, ilmenite, garnet, leucoxene and rutile.

Directors' Report (Continued)

Sierra Leone Operations

The Company's wholly owned Sierra Leone subsidiary, Kariba Kono (SL) Ltd, owns the No. 11 Oversize Tailings Dump at Koidu. The operations were placed under care and maintenance pending an engineering and design review following the failure of the 80tph diamond pan plant supplied by ProMet Engineers Africa (Pty) Ltd.

The MRC Board has resolved to divest either Kariba Kono (SL) Ltd or its assets. On 4 June 2008 the Company announced that it had entered into a Heads of Agreement with ROK Diamonds Ltd to sell the No 11 diamondiferous gravel dump at Koidu, Sierra Leone.

Consideration for the sale was to be US$2M apportioned as follows:

(1) US$1.5M payable at settlement; and

(2) The balance of US$0.5M may be converted to ordinary seed shares in ROK Diamonds Limited at MRC's election within 12 months or the float of ROK Diamonds Limited whichever occurs first.

The sale was not to include the Diamond Pan Plant.

On 25 August 2008, the Company announced that due to certain legal impediments currently in place in Sierra Leone which prevented the divestment of these assets, the current Agreement with ROK was terminated.

Legal Proceedings

On 12 October 2007 the Company commenced legal proceedings in the Federal Court of Australia against ProMet Engineers Africa (Pty) Ltd (ProMet), ProMet Engineers Pty Ltd, James Dinsdale Cribbes, Robert John Bennett and Richard George Ford for breach of contract, misleading and deceptive conduct and breaches of the Trade Practices Act in relation to the diamond pan plant in Sierra Leone.

On 10 December 2008, the Company attended a mediation conference in the Federal Court of Western Australia with ProMet Engineers and its insurer ACE Insurance Australia. On 27 January 2009, the Company announced that the parties agreed to settle for an amount of AUD$2 million to be paid to MRC without admission of liability.

All plant and machinery delivered under the construction contract remains in the possession and ownership of MRC.

Petro Ventures International Limited

During the year the Company continued as a seed capital investor in Petro Ventures International Limited (Petro Ventures) and holds a 9.13% stake. Petro Ventures has presently secured three project areas in the UK, offshore Romania and onshore Hungary. Petro Ventures working interest in the projects is 5%, 20% and 10% respectively. Updates in respect to the exploration activities of Petro Ventures can be reviewed in the Company's quarterly reports lodged with the Australian Stock Exchange.

Investment in Allied Gold Limited

Allied Gold Limited (ALD) is a listed gold production and exploration company with the Tabar Islands Gold Project in Papua New Guinea as its principal asset. This comprises the Simberi Oxide Gold Project and exploration property on the Tabar Islands Group. ALD successfully commissioned its processing plant operation and poured its first gold in February 2008 and has continued to announce successful exploration results along with a recent Resource upgrade.

MRC remains as one of the largest shareholders in ALD and currently holds 15.5 million shares in ALD.

The market value of MRC's shareholding at 31 December 2008 was $6.51 million.

Directors' Report (Continued)

FINANCIAL POSITION

The net assets of the group has increased by $2,289,907 from 31 December 2007 to $21,339,716 at 31 December 2008. This is mainly as a result of the reclassification of the investment in Allied Gold Ltd from equity accounted to fair value.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The company will continue the process of development of both the Tormin and Xolobeni projects in South Africa. The Company will seek to divest its interest in the Sierra Leone Diamond Project at a value acceptable to the Board. The Board will continue to review other projects and opportunities in the interest of increasing shareholder value.

ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration activities, the Company adheres to environmental regulations imposed upon it by the relevant regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Company has complied with all material environmental requirements up to the date of this report.

SCHEDULE OF MINING TENEMENTS

Mining tenements currently held by the economic entity are:

Area	Entity holding the interest	% Held	Title	Status
Xolobeni – South Africa	Transworld Energy & Minerals Resources	100	New order Prospecting Right	Granted
Tormin – South Africa	Mineral Sands Resources	100	Mining Right	Granted
Koidu – Sierra Leone	Kariba Kono (SL) Ltd	100	Mining Lease 3/04	Granted

SIGNIFICANT CHANGES IN STATE OF AFFAIRS AND LIKELY DEVELOPMENTS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the year:

- In December 2008, 18,400,000 shares were issued under a placement at $0.02 per share to raise $368,000.

OPTIONS

The total number of unissued ordinary shares under option at the date of this report is 2,250,000, all of which are not listed. Options do not entitle the holder to receive a dividend paid to ordinary shareholders. New issues of options and options exercised in the period is as follows:

Date of Grant	No of Options	Exercise Price	Expiry date
Opening Balance 31 December 2007	3,600,000	Various	Various
- Options Exercised	-	-	-
- Options Lapsed	(1,350,000)	35 cents	11 May 2008
Balance at 31 December 2008	2,250,000	Various	30 September 2009

Directors' Report (Continued)

DIRECTORS' SHAREHOLDING INTERESTS

The relevant interest of each director in the share capital of the Company, shown in the Register of Directors' Shareholding at the date of the Directors' Report is:

Director	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
J A Caruso	-	18,450,988	-	-
M V Caruso	12,627	18,450,988	-	-
G H Steemson	1,510,000	-	-	-

J A Caruso and M V Caruso are both directors of and have a relevant interest in Zurich Bay Holdings Pty Ltd, which holds 18,450,988 shares in the Company.

MEETINGS OF DIRECTORS

The number of directors meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Meetings Held	Meetings Attended
J A Caruso	1	1
M V Caruso	1	1
G H Steemson	1	1

Other matters of board business have been resolved by circular resolutions of directors, which are a record of decisions made at a number of informal meetings of the directors held to control, implement and monitor the Company's activities throughout the year.

Directors' Report (Continued)

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration.
B. Details of remuneration
C. Service Agreements
D. Share-based compensation
E. Additional Information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A. Principles used to determine the nature and amount of remuneration

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the board reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages may contain the following key elements:

(a) Directors Fees;
(b) Salary & Consultancy;
(c) Benefits – including provision of motor vehicle, superannuation.

Fees payable to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. The Board reviews non-Executive directors' fees and payments annually.

Executives are offered a competitive base pay that consists of fixed components. Base pay for senior executives is reviewed annually to ensure the executives pay is competitive with the market. Total Base Pay can be structured as a total employment package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

There were no short or medium term cash incentives provided to any executives of the company during the financial year. Short or medium term cash incentives are not incorporated into any executives salary packages at the time of this report.

The directors are not required to hold any shares in the company under the constitution of the company; however, to align directors' interests with shareholders interests the directors are encouraged to hold shares in the company.

Remuneration is not directly related to company performance or key performance indicators.

The board has no separate remuneration committee due to the size of the company. The directors perform the role of a remuneration committee as disclosed in the Corporate Governance statement.

B. Details of Remuneration

The key management personnel of Mineral Commodities Ltd Group are the directors of Mineral Commodities Ltd and the Company Secretary Mr Peter Torre who reported directly to the Managing Director. The amounts disclosed are therefore applicable for both Mineral Commodities Limited and the Mineral Commodities Limited Group.

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Mineral Commodities Limited and the Mineral Commodities Limited Group are set out in the following tables.

There are no long term benefits amounts due to Directors and key management personnel.

Directors' Report (Continued)

		Short-term benefits	Post employment benefits	Share-based payments		Percentage performance based
	Year	Cash Salary and fees	Superannuation	Shares/Options	Totals	
		$	$	$	$	
Non Executive Directors						
Joe Caruso	2008	44,037	3,963	-	48,000	-
	2007	44,037	3,963	-	48,000	-
Greg Steemson	2008	68,200	-	-	68,200	-
	2007	69,800	-	-	69,800	-
Sub-total Non Executive Directors	2008	112,237	3,963	-	116,200	
	2007	113,837	3,963	-	117,800	
Executive Directors						
Mark Caruso	2008	48,000	-	-	48,000	-
	2007	48,000	-	-	48,000	-
Other Key Management Personnel						
Peter Torre	2008	72,000	-	-	72,000	-
	2007	75,000	-	9,800	84,800	-
Total Key Management Personnel Compensation	**2008**	**232,237**	**3,963**		**236,200**	**-**
	2007	**236,837**	**3,963**	**9,800**	**250,600**	**-**

		Number of options granted and vested during the year	Options as a % of total	Number of ordinary shares issued on exercise of options	Date of exercise of options	Price per option when exercised
	Year					
Non Executive Directors						
Joe Caruso	2008	-	-	-	-	-
	2007	-	-	-	-	-
Greg Steemson	2008	-	-	-	-	-
	2007	-	-	-	-	-
Sub-total Non Executive Directors	2008	**-**	**-**	**-**	**-**	**-**
	2007	**-**	**-**	**-**	**-**	**-**
Executive Directors						
Mark Caruso	2008	-	-	-	-	-
	2007	-	-	-		-
Other Key Management Personnel						
Peter Torre	2008	-	-	-	-	-
	2007	250,000	13%	-	-	$0.30

Directors' Report (Continued)

C. Service Agreements

There were no formal service agreements with any directors or key management personnel.

D. Share Based Compensation

Options

Options were granted by the Company to Mr Peter Torre in November 2007 for no consideration. In addition, options were granted under the Mineral Commodities Limited Employee Option Plan which was approved by shareholders at a general meeting held in November 2007. All full time employees, part time employees, consultants and Directors of the Company are eligible to participate in the plan at the absolute discretion of the board.

Options are granted under the plan for no consideration and are at terms stipulated at the discretion of the Board.

For further details of the options issued please, refer to Note 22(b) and 26.

E. Additional Information

There is no additional information to be provided in respect to the remuneration of the directors.

End of the Audited Remuneration Report

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Mineral Commodities Limited adhere to strict principles of corporate governance. The Company's Corporate Governance statement is included before the Additional ASX Information section of the Annual Financial Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company or the Consolidated Entity, the results of those operations or the state of affairs of the Company or the Consolidated Entity in future financial years unless otherwise disclosed in this Directors Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

INSURANCE OF OFFICERS

During the financial year the Company has paid an insurance premium to insure the directors and secretaries of the company and its controlled entities. The premium paid was $44,120 representing $14,707 per director. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by Section 307(c) of the Corporations Act 2001 is set out on Page 53 and forms part of this report.

Directors' Report (Continued)

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

There were no non–audit services provided by BDO Kendalls in the year.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related firms:

Audit Services:	**$**
BDO Kendalls Audit & Assurance (WA) Pty Ltd	
Audit and review of financial reports	**70,421**
Non BDO Kendalls audit firm (Tuffias Sandberg)	**5,832**
Total remuneration for audit services	**76,253**

BDO Kendalls Audit & Assurance (WA) Pty Ltd continues in office.

This report has been made in accordance with a resolution of the Directors.

Mark V Caruso
Managing Director
Perth, Western Australia
31 March 2009

Income Statements
For the Year Ended 31 December 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		$	$	$	$
			Restated		Restated
Revenue from continuing operations	2	609,221	765,304	1,104,875	1,176,126
Exploration written off	10	(157,663)	(186,867)	(157,663)	(186,867)
Share based payments		-	(78,500)	-	(78,500)
General & Administration expenses		(985,273)	(795,892)	(1,069,086)	(783,433)
Depreciation and Amortisation		(17,942)	(17,685)	(16,399)	(15,947)
Employee Benefits	15	60,336	(48,563)	60,336	(48,563)
Finance costs		(3,157)	-	(3,157)	-
Share of net result of associates using the equity method	11(a)	-	(286,097)	-	-
(Loss)/Profit before income tax		(494,478)	(648,300)	(81,094)	62,816
Income tax expense	4	-	-	-	-
(Loss)/Profit from continuing operations		(494,478)	(648,300)	(81,094)	62,816
Loss from discontinued operations	28	(1,021,183)	(6,361,780)	(655,597)	(6,921,206)
Loss for the year		(1,515,661)	(7,010,080)	(736,691)	(6,858,390)
Loss for the year attributable to the members of the parent entity		(1,515,661)	(7,010,080)	(736,691)	(6,858,390)
Minority interest		-	-	-	-
		(1,515,661)	(7,010,080)	(736,691)	(6,858,390)

Loss per share attributable to the ordinary equity holders of the company.

	Note	2008	2007
Basic and diluted (loss) per share (cents)	19	(1.2)	(6.1)

The income statements are to be read in conjunction with the notes to the financial statements.

Balance Sheets
as at 31 December 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	5	797,328	2,177,864	256,698	2,150,627
Trade and other receivables	6	2,242,278	499,921	2,088,241	285,995
Financial assets	7	6,957,094	436,398	6,957,094	436,398
Other current assets	8	13,145	16,723	13,145	16,723
Total Current Assets		10,009,845	3,130,906	9,315,178	2,889,743
NON-CURRENT ASSETS					
Property, plant and equipment	9	373,060	1,575,105	367,316	1,426,744
Exploration & development expenditure	10	12,026,008	11,394,491	-	
Investments accounted for using the equity method	11(a)	-	3,298,437	-	4,562,213
Other financial assets	11(b)	6	-	1,451,001	1,551,001
Trade and other receivables	13	-	-	11,841,568	9,917,134
Total Non-Current Assets		12,399,074	16,268,033	13,659,885	17,457,092
Total Assets		22,408,919	19,398,939	22,975,063	20,346,835
CURRENT LIABILITIES					
Trade and other payables	14	1,041,056	260,647	402,374	91,969
Provisions	15	28,147	88,483	28,147	88,483
Total Current Liabilities		1,069,203	349,130	430,521	180,452
Total Liabilities		1,069,203	349,130	430,521	180,452
NET ASSETS		**21,339,716**	**19,049,809**	**22,544,542**	**20,166,383**
EQUITY					
Contributed equity	16	39,804,350	39,436,350	39,804,350	39,436,350
Reserves	17	4,917,465	1,479,897	2,738,300	(8,550)
Accumulated losses	18	(23,516,439)	(22,000,778)	(19,998.108)	(19,261,417)
Parent entity interest		21,205,376	18,915,469	22,544,542	20,166,383
Minority interest	12	134,340	134,340	-	-
TOTAL EQUITY		**21,339,716**	**19,049,809**	**22,544,542**	**20,166,383**

The balance sheets are to be read in conjunction with the notes to the financial statements.

Cash Flow Statements
For the year ended 31 December 2008

	Note	Consolidated		Company	
		2008	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
CASH FLOWS FROM OPERATING ACTIVITIES					
Exploration and development expenditure		(1,882,412)	(2,812,802)	(157,663)	(144,611)
Interest Received		89,995	133,000	74,739	127,830
Payments to suppliers & employees		(1,320,262)	(1,857,890)	(573,188)	(923,491)
Interest Paid		(3,157)	-	(3,157)	-
Sundry Income		2,664	-	2,664	-
Net cash outflows from operating activities	24(a)	(3,113,172)	(4,537,692)	(656,605)	(940,272)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for plant and equipment	9	(7,946)	(354,890)	(5,445)	(330,137)
Purchase of equity investments		(14,826)	(494,601)	(14,826)	(494,601)
Purchase of further investment in associate	11(a)	-	(632,043)	-	(632,043)
Proceeds from sales of investments		1,387,407	1,344,513	1,387,407	1,344,513
Investment in controlled entities	11(b)	-	-	-	-
Loans advanced to controlled entities		-	-	(2,972,460)	(3,586,856)
Loans repaid by other entities		1,070,000	450,000	1,070,000	450,000
Loans to other entities		(1,070,000)	(450,000)	(1,070,000)	(450,000)
Net cash inflow/(outflow) from investing activities		1,364,635	(137,021)	(1,605,324)	(3,699,124)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of shares	16	368,000	4,349,306	368,000	4,349,306
Net cash inflow from financing activities		368,000	4,349,306	368,000	4,349,306
Net increase/(decrease) in cash and cash equivalents		(1,380,537)	(325,407)	(1,893,929)	(290,090)
Cash and cash equivalents at beginning of financial year		2,177,864	2,561,364	2,150,627	2,440,717
Effects of exchange rate changes on cash and cash equivalents		-	(58,093)	-	-
Cash and cash equivalents at end of financial year	5	797,328	2,177,864	256,698	2,150,627

The cash flow statements are to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

CONSOLIDATED ENTITY For the year ended 31 December 2008	**Contributed Equity** $	**Accum-ulated Losses** $	**General Reserve** $	**Foreign Currency Translation Reserve** $	**Share Based payments Reserve** $	**Financial Asset Reval-uation Reserve** $	**Minority Interests** $	**Total Equity** $
Balance at the beginning of the year	39,436,350	(22,000,777)	2,551,100	(1,162,270)	78,500	12,567	134,340	19,049,810
Movement for the year	-	-	-	578,059	-	2,859,509	-	3,437,568
Net Income recognised directly in equity	-	-	-	578,059	-	2,859,509	-	3,437,568
Loss for the year	-	(1,515,661)	-	-	-	-	-	(1,515,661)
Total recognised income and expense during the year	-	(1,515,661)	-	578,059	-	2,859,509	-	1,921,907
Contributions of equity								
Issue of equity	368,000	-	-	-	-	-	-	368,000
Transaction costs on share issues	-	-	-	-	-	-	-	-
Employee share scheme	-	-	-	-	-	-	-	-
Balance at the end of the year	39,804,350	(23,516,438)	2,551,100	(584,211)	78,500	2,872,076	134,340	21,339,717

PARENT ENTITY For the year ended 31 December 2008	**Contributed Equity** $	**Accum-ulated Losses** $	**Share Based payments Reserve** $	**Foreign Currency Translation Reserve** $	**Financial Asset Revaluation Reserve** $	**Total Equity** $
Balance at the beginning of the year	39,436,350	(19,261,417)	78,500	(99,617)	12,567	20,166,383
Movement for the year	-	-	-	(112,659)	2,859,509	2,746,850
Net Income recognised directly in equity	-	-	-	(112,659)	2,859,509	2,746,850
Loss for the year	-	(736,691)	-	-	-	(736,691)
Total recognised income and expense during the year	-	(736,691)	-	-	-	(736,691)
Contributions of equity						
Issue of equity	368,000	-	-	-	-	368,000
Transaction costs on share issues	-	-	-	-	-	-
Employee share scheme	-	-	-	-	-	-
Balance at the end of the year	39,804,350	(19,998,108)	78,500	(212,276)	2,872,076	22,544,542

Statement of Changes in Equity (Continued)

CONSOLIDATED ENTITY For the year ended 31 December 2007	**Contributed Equity $**	**Accum-ulated Losses $**	**General Reserve $**	**Foreign Currency Translation Reserve $**	**Share Based payments Reserve $**	**Financial Asset Reval-uation Reserve $**	**Minority Interests $**	**Total Equity $**
Balance at the beginning of the year	35,087,042	(14,990,697)	2,551,100	(588,456)	-	514,028	134,340	22,707,357
Movement for the year	-	-	-	(573,814)	-	(501,461)	-	(1,075,275)
Net Income recognised directly in equity	-	-	-	(573,814)	-	(501,461)	-	(1,075,275)
Loss for the year	-	(7,010,080)	-	-	-	-	-	(7,010,080)
Total recognised income and expense during the year	-	(7,010,080)	-	(573,814)	-	(501,461)	-	(8,085,355)
Contributions of equity								
Issue of equity	4,505,308	-	-	-	-	-	-	4,505,308
Transaction costs on share issues	(156,000)	-	-	-	-	-	-	(156,000)
Employee share scheme	-	-	-	-	78,500	-	-	78,500
Balance at the end of the year	39,436,350	(22,000,777)	2,551,100	(1,162,270)	78,500	12,567	134,340	19,049,810

PARENT ENTITY For the year ended 31 December 2007	**Contributed Equity $**	**Accum-ulated Losses $**	**Share Based payments Reserve $**	**Foreign Currency Translation Reserve $**	**Financial Asset Revaluation Reserve $**	**Total Equity $**
Balance at the beginning of the year	35,087,042	(12,403,027)	-	-	514,028	23,198,043
Movement for the year	-	-	-	(99,617)	(501,461)	(601,078)
Net Income recognised directly in equity	-	-	-	(99,617)	(501,461)	(601,078)
Loss for the year	-	(6,858,390)	-	-	-	(6,858,390)
Total recognised income and expense during the year	-	(6,858,390)	-	-	-	(6,858,390)
Contributions of equity						
Issue of equity	4,505,308	-	-	-	-	4,505,308
Transaction costs on share issues	(156,000)	-	-	-	-	(156,000)
Employee share scheme	-	-	78,500	-	-	78,500
Balance at the end of the year	39,436,350	(19,261,417)	78,500	(99,617)	12,567	20,166,383

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This financial report is for Mineral Commodities Limited as the parent entity and Mineral Commodities Limited and controlled entities, as the consolidated entity. Mineral Commodities Limited is an Australian domiciled public listed company.

This general purpose financial report for the year ended 31 December 2008 has been prepared in accordance with Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Mineral Commodities Limited as the Parent entity and Mineral Commodities Limited and controlled entities comply with International Financial Reporting Standards (IFRS).

Historical Cost Convention

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of available for sale financial assets for which the fair value basis of accounting has been applied.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report and have been consistently applied to all the years presented, unless otherwise stated.

(b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Mineral Commodities Ltd ("Company" or "parent entity") as at 31 December 2008 and the results of its subsidiaries for the year then ended. Mineral Commodities Ltd and its subsidiaries together are referred to in this financial report as the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group – refer to Note (1h).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation (continued)

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Mineral Commodities Limited.

On 23 June 2006, Mineral Commodities Limited completed a takeover of Erebus Plc and effectively took control from this date. Immediately following the handing over of control to Mineral Commodities Limited, the accounting and financial records of Erebus Plc were requisitioned so that Mineral Commodities Limited could also control this function. Upon receipt of the accounting records subsequent to the reporting date, it became apparent that the records were incomplete and the Company began the process of reconstructing the records with the limited information that was available.

As at 31 December 2006, the records were not sufficiently reliable to be able to represent a true and fair view of the financial position of Erebus Plc and its subsidiary for the full year ended 31 December 2006 due to the incomplete information received up to the date of acquisition.

The value of the consideration paid for Erebus Plc was $2,297,935 comprising 9,406,878 shares and 3,135,626 unlisted options.

For these reasons, the Directors of Mineral Commodities decided not to consolidate Erebus Plc from 23 June 2006 and to report its investment in Erebus Ltd at cost in the Economic Entity for the year ended 31 December 2006.

The majority of the expenditure within the Erebus Group relates to the mining activities and is capitalised accordingly in the balance sheet. The acquisition and consolidation of the Erebus Group would have resulted in assigning a fair value to the mining right. The Directors believe that this value essentially represents the value of the consideration that was paid to takeover the company and reflecting the investment at cost at 31 December 2006 was a more appropriate way of reporting to shareholders given the situation.

As the Company did not consolidate Erebus at 31 December 2006, the Investment in Erebus and loan receivable from Erebus were not eliminated.

The Mineral Commodities Group that was reported as at 31 December 2006 therefore consisted of the Parent Entity, Mineral Commodities Limited and the subsidiary companies listed in Note 11(b) with the exception of Erebus Ltd and its subsidiary: Erebus Ltd and its subsidiary were consolidated into the Group for the 2007 financial year. This had the effect of overstating exploration and evaluation expenditure and understating the accumulated loss at initial date of consolidation (1 January 2007).

In 2007 Erebus Ltd transferred its interest in Kariba Kono (SL) Ltd to MRC Africa Pty Ltd. On completion of this transfer there was no requirement to maintain Erebus Ltd a UK Company, therefore application was made to Companies House in the UK to have the Company dissolved, and this was confirmed with effect from 19 August 2008.

(c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest and other income is recognised as it accrues on a time proportion basis using the effective interest method.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Taxes

Income taxes

The charge for current income tax expense or revenue is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date. Income tax expense is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where this has no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

The income tax expense for the year is calculated using the 30% tax rate (2007: 30%).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods & services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign Currency Transactions and Balances (continued)

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rated prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying net investment hedge.

Group Companies

The financial results and position of group entities whose functional currency is different from the group's presentation currency are translated into the presentation currency as follows;

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.

Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognised directly in the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Acquisition

Items of plant and equipment are initially recorded at cost and includes any expenditure that is directly attributable to acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of Plant and Equipment

Plant and equipment are depreciated at rates based upon the expected useful lives of these assets. The expected useful lives of these assets are 3-10 years.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Disposal of Assets

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the income statement in the year of disposal.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Exploration and Development Expenditure

Costs incurred during the exploration and development stages of specific areas of interest are accumulated. Such costs are only carried forward if they are expected to be fully recouped through the successful development of the area, or where activities to date have not yet reached a stage to allow reasonable assessment regarding the existence of economically recoverable reserves, otherwise this expenditure is recognised in the income statement. Costs are written off as soon as an area has been abandoned or considered to be non-commercial or provided against where an area is considered non-commercial at the period end.

Once production commences, expenditure accumulated in respect of areas of interest is amortised on a unit of production basis over the life of the total proven economically recoverable reserves. Restoration costs recognised in respect of areas of interest in the exploration and evaluation stage are carried forward as exploration and evaluation expenditure. Costs recognised after the commencement of production in areas of interest will be charged to the profit and loss statement.

(h) Investments

Interests in - Subsidiaries

Investments in subsidiaries are carried in the Company's financial report at cost less any impairment losses. Dividends and distributions are brought to account in the Company's income statement when they are declared by the subsidiaries.

Investments in associates

Associates are all entities over which the Consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20%-50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Consolidated entity's share of its associates post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised directly in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

(i) Impairment of Assets

At each reporting date, the group reviews the carrying values of it tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Financial Instruments

The Group classifies its financial instruments in the following categories. The classification depends on the purpose for which the financial instrument was acquired. Management determines the classification of its financial instruments at initial recognition.

Recognition and de recognition

Regular purchases and sales of financial assets are recognised on trade date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instructions and other pricing models.

Loans and receivables

Loans and receivables are recognised at amortised cost using the effective interest rate method. They are included within current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are recognised at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity until the instrument is sold at which time any balance in equity relating to the instrument is recycled to the income statement as part of the profit or loss on sale.

Financial Liabilities

Financial liabilities are recognised at amortised cost, comprising original debt less principle payments and amortisation of transaction costs.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement. Impairment losses recognised on equity instruments classified as available for sale are not reversed through the income statement.

(l) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Earnings/ (Loss) per Share

Basic Earnings/ (Loss) per Share

Basic earnings per share is determined by dividing the profit after income tax attributable to members of Mineral Commodities Ltd by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings/ (Loss) per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share would arise from the exercise of options outstanding at the end of the financial year.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Provision is made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to balance date. These benefits include annual leave. Sick leave is non-vesting and has not been provided for. Employee entitlements expected to be settled within one year have been measured at the amounts expected to be paid when the liabilities are settled and are recognised in other payables.

The contributions made to defined contribution superannuation funds by entities within the consolidated entity are charged against profits when due.

Share-Based Payments

Share-based compensation benefits are provided to employees via the Mineral Commodities Employee Incentive Option Scheme. Information relating to this scheme is set out in Note 26.

The fair value of options granted under the Mineral Commodities Employee Incentive Option Scheme is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(p) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised on a straight line basis.

(q) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

(s) Comparatives

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(t) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale or transaction rather than continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets, investment property and non-current biological assets that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de recognition.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Non-current assets (or disposal groups) held for sale and discontinued operations (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

A discontinued operation is a component of the entity that has been disposed of or has been abandoned, or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(u) Critical accounting estimates and judgements

The Group makes significant estimates and judgements concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical Accounting Estimates

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Significant judgements in applying the entity's accounting policies

Impairment

During the year, the consolidated entity impaired its property, plant and equipment (Note 9), and exploration and development expenditure (Note 10) in relation to the Sierra Leone assets, as the directors have assessed that these amounts are no longer recoverable. In the parent entity, intercompany loans totalling $1,446,278 (2007: $3,438,935) (Note 13) have been impaired as they have been assessed as non recoverable. Although the net assets of the group are less than the parent, the intercompany loans are considered to be recoverable through the future development of the tenements held by the subsidiaries.

Available for sale financial assets

During the year, the company sold 4milllion shares in Allied Gold Limited, and that company restructured their Board such that it is considered that MRC has lost significant influence (Note 11(a)). The Directors have reclassified the remaining investment in Allied Gold as "available for sale" financial assets because they intend to hold the investments to earn benefits in the medium to long term increases in the value of these investments or they do not meet the criteria to be held as financial assets through profit and loss as they are not monitored and evaluated on a fair value basis.

Exploration and development expenditure

Recoupment of the capitalised exploration and evaluation expenditure is dependant on the successful development and commercial exploitation of the Xolobeni Mineral Sands and the Tormin Mineral Sands areas of interest in South Africa. The capitalised expenditure in relation to the Xolobeni project is expected to be fully recoverable once the grant of the mining right has been affirmed by the Minister of Minerals and Energy in South Africa.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Accounting Standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective for the parent and consolidated entity have not been adopted for the annual reporting period ended 31 December 2008.

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
AASB 3 (reissued March 2008)	Business Combinations	Released as part of long term international convergence project between IASB and FASB. The revised standard introduces more detailed guidance on accounting for step acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of purchase consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill.	Business combinations where the acquisition date is on or after the beginning of the first reporting period that commences 1 July 2009 or later	1 July 2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1 First time adoption of AIFRS AASB 101 Presentation of Financial Statements AASB 107 Cash Flow Statements AASB 111 Construction Contracts AASB 116 Property, Plant and Equipment AASB 138 Intangible Assets	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalize borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
Revised AASB 123 and AASB 2007-6	AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123,	Removal of option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition of a qualifying asset. There is expected to be no impact on the financial report of the Group.	1 Jan 09	1 Jan 09
Revised AASB 101	Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.	Requires changes to presentation and disclosure but will not affect any of the amounts recognised in the financial statements.	1 Jan 09	1 Jan 09
AASB 8 and AASB 2007-3	AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.	Significant change in the approach to segment reporting and disclosure, however it is not expected to affect any of the amounts recognised in the financial statements.	1 Jan 09	1 Jan 09

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Accounting Standards not yet effective (continued)

The following amendments are not applicable to the Group and therefore have no impact

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard	Application Date for Group
2007-9	Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31.	No change to accounting policy required. Therefore no impact.	1 Jul 08	1 Jan 09
2008-2	Amendments to Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation	No change to accounting policy required. Therefore no impact.	1 Jan 09	1 Jan 09
AASB-I 14	AASB-I 14 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	No change to accounting policy required. Therefore no impact.	1 Jan 08	1 Jan 08

Application date is for the annual reporting periods beginning on or after the date shown in the above table.

Notes to the Financial Statements (Continued)

2. OTHER REVENUE FROM CONTINUING OPERATIONS

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Interest				
Interest revenue from unrelated entities	89,995	133,000	74,739	127,830
Interest revenue from controlled entity	-	-	415,225	304,809
	89,995	133,000	489,964	432,639
Other Income				
Gain from sales of investments in listed companies	471,562	539,419	471,562	539,419
Management fees	45,000	90,000	140,685	201,183
Miscellaneous and other income	2,664	2,885	2,664	2,885
Total Revenue from continuing operations	609,221	765,304	1,104,875	1,176,126

3. LOSS FOR THE YEAR

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Loss before income tax has been arrived at after charging the following:				
Exploration expenditure written off	157,663	186,867	157,663	186,867
Operating Lease rentals	70,133	69,741	70,133	69,741
Depreciation - Plant and Equipment	62,442	102,511	60,899	60,477
Superannuation contributions	26,350	25,585	19,876	17,984
Movement in provision for employee entitlements	(60,336)	48,563	(60,336)	48,563

Notes to the Financial Statements (Continued)

4. INCOME TAX

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
The components of current income tax expense comprise:				
Current taxation	-	-	-	-
Income tax (benefit) reported in the income statement	-	-	-	-
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:				
Loss before income tax	(1,515,661)	(7,010,080)	(736,691)	(6,858,390)
Prima facie tax payable / (benefit) on loss @ 30% (2007:30%)	(454,698)	(2,103,024)	(221,007)	(2,057,517)
Non allowable items	427,222	(429,596)	917,548	70,113
Non-assessable income	(43,110)	(43,110)	(43,110)	(43,110)
Net deferred tax assets not brought to account	70,586	2,575,730	(653,430)	2,030,514
Benefit of losses not previously brought to account	-	-	-	-
Income tax expense / (benefit)	-	-	-	-
Future income tax benefit arising from un-recouped deductions at balance date, for Australian tax resident entities.				
Revenue losses	3,644,600	2,923,764	1,726,016	1,467,402
Capital losses	4,689,637	4,643,254	4,689,637	4,643,254

In addition the economic entity has unconfirmed tax losses and accumulated exploration expenditure that gives rise to potential carry forward tax benefits in South Africa amounting to approximately Rand 16.2 million (approximately A$2.7 million). The benefit of these potential future tax benefits has not been brought to account, and will only be realised if circumstances similar to those described above, also apply to the economic entity's future operations in South Africa.

There are no franking credits available.

Notes to the Financial Statements (Continued)

5. CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Cash at Bank	797,328	2,177,864	256,698	2,150,627
	797,328	2,177,864	256,698	2,150,627

The effective interest rate on cash at bank in 2008 was 6.38% (2007:6.0%)

(a) Interest rate risk exposure

The consolidated and parent entity's exposure to interest rate risk is discussed in Note 25.

(b) Reconciliation to cash at the end of the year

The above figures represent the cash at the end of the financial year as shown in the Cash Flow Statement.

6. TRADE AND OTHER RECEIVABLES – CURRENT

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Trade receivables	54,026	35,634	54,026	35,639
Term deposits	12,934	36,950	-	-
Other receivables	2,094,068	361,897	2,034,216	250,356
Loans receivable from other entities	81,250	65,440	-	-
	2,242,278	499,921	2,088,241	285,995

(a) Fair Values and credit risk

Due to the short term nature of these receivables the carrying values represent their respective fair values as at 31 December 2008 and 2007.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 25 for more information on the risk management policy of the Group and the credit quality of the entity's receivables.

(b) Foreign Exchange and Interest Rate Risk

Information about the Group's and the parent entity's exposure to foreign exchange and interest rate Risk in relation to trade and other receivables is provided in Note 25.

(c) Other Receivables

An amount of $2,000,000 (2007: Nil) relates to the settlement reached with Promet et al, which was received in January 2009. These amounts generally arise from transactions outside the usual operating activities of the Group and collateral is not normally obtained.

Notes to the Financial Statements (Continued)

7. FINANCIAL ASSETS - CURRENT

	Consolidated		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Available for sale Investments				
Investments in companies listed on a recognised stock exchange - shares at fair value				
At the beginning of the year	75,000	10,000	75,000	10,000
Investments re classified from unlisted investments	-	65,000	-	65,000
Adjustment to fair value	(18,569)	-	(18,569)	-
	56,431	75,000	56,431	75,000
Reclassify investment in Allied Gold Ltd from equity accounted investments	6,524,439	-	6,524,439	-
Total available for sale investments in companies listed on a recognised stock exchange	6,580,870	75,000	6,580,870	75,000
Available for sale investment in companies not listed on a recognised stock exchange				
At the beginning of the year	361,398	50,000	361,398	50,000
Investment this year	14,826	376,398	14,826	376,398
Transfer to Investments listed on a recognised stock exchange	-	(65,000)	-	(65,000)
Total available for sale investments in companies not listed on a recognised stock exchange[1]	376,224	361,398	376,224	361,398
Total Financial Assets - Current	**6,957,094**	**436,398**	**6,957,094**	**436,398**

Available for sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

Fair Value of Investment in Allied Gold Limited

The market value of this investment in Allied Gold at balance date was $6,524,439 based on a price per share of 42 cents. The investment by Mineral Commodities Ltd in Allied Gold Ltd has been reclassified from equity accounted to fair value refer Note 11(a).

[1] Non listed investments have been valued as an approximate to their fair value.

Notes to the Financial Statements (Continued)

7. FINANCIAL ASSETS – CURRENT (continued)

(a) Risk Exposure

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 25.

8 OTHER – CURRENT

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Prepayments	13,145	16,723	13,145	16,723

9. PROPERTY, PLANT AND EQUIPMENT

Plant and office equipment - at cost	663,628	1,794,056	530,425	1,562,562
Accumulated depreciation	(290,568)	(218,951)	(163,109)	(135,818)
Total property, plant and equipment	373,060	1,575,105	367,316	1,426,744
Reconciliation of the carrying amount of plant & equipment at the beginning and end of the current and previous financial year				
Plant and office equipment				
Carrying amount at beginning of year	1,575,105	2,544,443	1,426,744	2,542,171
Additions	7,946	518,260	5,445	330,137
Impairment	(1,104,766)	(1,385,087)	(1,003,974)	(1,385,087)
Depreciation	(105,225)	(102,511)	(60,899)	(60,477)
Carrying amount at end of year	373,060	1,575,105	367,316	1,426,744

(a) During 2008 an impairment loss of $1,003,974 (2007 $1,385,087) was brought to account in respect of the Diamond pan plant situated in Sierra Leone. The impairment value has been calculated to write off the full carrying value.

Notes to the Financial Statements (Continued)

10. EXPLORATION AND DEVELOPMENT EXPENDITURE

	Consolidated		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Exploration expenditure - costs carried forward in respect of areas of interest in:				
Exploration and evaluation phases	12,026,008	11,394,491	-	-
Total exploration and evaluation expenditure	12,026,008	11,394,491	-	-
Reconciliation of the carrying amount of mining tenements at the beginning and end of the current and the previous financial year.				
Carrying amount at beginning of year	11,394,491	8,863,985	-	42,256
Exploration expenditure on consolidation of Erebus/ Kariba Kono	-	4,606,608	-	-
Expenditure during the year	2,505,464	2,233,094	157,663	144,611
Expenditure outlaid other than in cash	-	-	-	-
Impairment of exploration expenditure	(983,069)	(3,606,608)	-	-
Foreign exchange translation reserve	(733,215)	(515,721)	-	-
Write off discontinued projects	(157,663)	(186,867)	(157,663)	(186,867)
Carrying amount at end of year	12,026,008	11,394,491	-	-

Recoupment of carried forward exploration and evaluation expenditure is dependent upon the granting of mining rights and successful development and commercial exploitation of each area of interest, or otherwise by their sale at an amount not less than the carrying value.

The impairment loss of $983,069 (2007:3,606,608) was brought to account in respect of the exploration assets contained within the Company's Sierra Leone project. The impairment value has been calculated to write off all carrying value.

11(a) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2008	**2007**
	$	**$**
Investment in companies accounted for using the equity method		
At the beginning of the year	3,298,437	4,562,213
Equity accounting adjustments	-	(1,263,776)
Reclassify to fair value investment	(3,298,437)	-
	-	3,298,437

Notes to the Financial Statements (Continued)

11(a) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Interests are held in the following associated companies:

Name	Principal Activity		Ownership Interest		Carrying Amount of Investment	
			2008	**2007**	**2008**	**2007**
			%	**%**		
Listed						
Allied Gold Ltd (Incorporated in Australia)	Mineral exploration	Ord	3.78	5.71	-	3,298,437
					-	3,298,437

	2008	2007
Movements during the year in Equity Accounted investments in Associated Companies		
Carrying amount at beginning of financial year	3,298,437	3,623,988
Disposal of Leonaust Mining Company Ltd	-	(74,174)
Investments in associates acquired during the year, at cost	-	632,043
Cost of shares in associates sold during the year	-	(686,890)
Share of associate's net loss	-	(286,097)
Net gain on deemed disposal	-	89,567
Reclassify to Fair Value	(3,298,437)	-
Carrying amount at end of financial year	-	3,298,437

	2008 $	2007 $
Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
The Consolidated entity's share of the results of its associate and its aggregated assets (including goodwill) and liabilities are as follows:		
Current Assets	-	528,021
Non current assets	-	7,541,951
Total assets	-	8,069,972
Current liabilities	-	3,096,004
Non current liabilities	-	411,755
Total liabilities	-	3,507,759
Net assets as reported by associates	-	4,562,213
Share of net (loss) profit after income tax as reported by the associate	-	(286,097)

During 2008 Mineral Commodities Limited sold 4 million shares in Allied Gold Limited reducing it's ownership to 3.78%, as a consequence of this and also Board restructure the holding has been reclassified as an available for sale investment with a fair value of $6,524,439 refer Note 7.

Prior to this, although Mineral Commodities Limited owned less than 20% of Allied Gold Limited, it was in a position of significant influence because it is one of the largest shareholders of Allied Gold Limited, and two of the Mineral Commodities Limited directors are also directors of Allied Gold, amounting to 40% Board representation throughout the relevant period.

Notes to the Financial Statements (Continued)

11(b) SUBSIDIARIES

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Unquoted investments - at cost	6	-	1,451,001	1,551,001
Shares in controlled entities	6	-	1,451,001	1,551,001

Subsidiaries	Class of Share	Place of Incorporation	Equity Holding		Cost to Company	
			2008	2007	2008	2007
			%	%	$	$
Parent Entity						
Mineral Commodities Limited		Australia		-		-
Controlled Entities						
Rexelle Pty Ltd	Ord	Australia	100	100	1,450,001	1,450,001
Queensland Minex NL	Ord	Australia	100	100	4,718,302	4,718,302
Q Smelt Pty Ltd	Ord	Australia	90	90	-	-
Mincom Waste Pty Ltd	Ord	Australia	100	100	-	-
MRC Resources (Pty) Ltd	Ord	South Africa	100	100	-	-
MRC Africa Pty Ltd	Ord	Australia	100	100	1,000	1,000
Erebus Plc (refer Note (1b)	Ord	United Kingdom	-	100	-	-
Kariba Kono (S.L.) Ltd (refer Note (1b)	Ord	Sierra Leone	100	100	-	-
Blackhawk Oil & Gas Ltd	Ord	Australia	100	100	100,000	100,000
					6,269,303	6,269,303
Less Impairment					(4,818,302)	(4,718,302)
					1,451,001	1,551,001

Subsidiaries of MRC Resources (Pty) Ltd	Class of Share	Place of Incorporation	Equity Holding		Cost to Company	
			2008	2007	2008	2007
			%	%	$	$
Transworld Energy & Minerals Resources (SA) (Pty) Limited [1]	Ord	South Africa	56	75	2,500,000	2,500,000
Mineral Sands Resources (Pty) Ltd [2]	Ord	South Africa	50	100	-	-
Nyati Titanium Eastern Cape (Pty) Ltd	Ord	South Africa	100	100	-	-
MRC Metals (Pty) Ltd	Ord	South Africa	100	100	-	-
Skeleton Coast Resources (Pty) Ltd	Ord	Namibia	100	100	-	-

Please refer to Note 1(b) in respect to Erebus Ltd and Kariba Kono Pty Ltd.

[1] MRC Resources (Pty) Ltd shareholding reduced by 19% following the transfer to the Black Economic Enterprise partner.

[2] MRC Resources (Pty) Ltd shareholding reduced by 50% following the transfer to the Black Economic Enterprise partner

Notes to the Financial Statements (Continued)

12. MINORITY INTERESTS

	Consolidated Entity	
	2008	**2007**
	$	**$**
Minority interests in subsidiaries comprise:		
Interest in retained profits at the beginning of the financial year after adjusting for outside equity interests in the entities acquired during the financial year	-	-
Operating loss	-	-
Share capital	54,710	54,710
Reserves	79,630	79,630
Total minority interests	134,340	134,340

During the year, two subsidiaries' ownership interests were restructured to comply with South African legislation. Ordinary shares were issued to the Black Empowerment Parties to effect these changes.

13. TRADE AND OTHER RECEIVABLES – NON-CURRENT

Opening Balance	-	2,261,727	9,917,134	9,100,328
Investment in subsidiary	-	-	-	-
Adjustment arising from consolidation	-	(2,261,727)	-	-
Loans and advances - controlled entities	-	-	3,370,712	4,255,741
Less impairment	-	-	(1,446,278)	(3,438,935)
Total Trade and other receivables	-	-	11,841,568	9,917,134

Recovery of the loans to controlled entities is dependent upon the commercial exploitation of mining tenements held by the controlled entities.

(a) Impaired receivables and receivables past due

As at 31 December 2008 non current loans and advances with a nominal value of $1,446,278 (2007 $3,438,935) were impaired.

This related to the following loans:

(i) $1,415,246 advanced to Kariba Kono (SL) Ltd. It is expected that the sale of the assets of this entity will not generate sufficient funds in order for this receivable to be repaid. Please refer to Note 1(b) in respect to loans to Erebus Ltd and Kariba Kono (S.L.) Ltd.

(ii) $31,033 (2007: Nil) advanced to Blackhawk Oil & Gas Ltd and Queensland Minex NL were also considered to be impaired.

(b) Risk Exposure

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 25.

Notes to the Financial Statements (Continued)

14. TRADE AND OTHER PAYABLES - CURRENT

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Trade payables - unsecured	704,742	156,517	129,170	25,616
Other payables and accruals - unsecured	336,314	104,130	273,204	66,353
	1,041,056	260,647	402,374	91,969

Refer to Note 25 for details of interest rates incurred on payables.

Risk Exposure

Information about the Groups and the parent entity's exposure to foreign exchange risk is provided in Note 25.

15. PROVISIONS – NON-CURRENT

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Provision for employee entitlements				
Opening balance	88,483	39,920	88,483	39,920
Movement for the period	(60,336)	48,563	(60,336)	48,563
Provision for employee entitlements	28,147	88,483	28,147	88,483

Employee entitlements represent unused annual and long service leave.

Notes to the Financial Statements (Continued)

16. CONTRIBUTED EQUITY

	2008 Number of shares	2007 Number of shares	2008 $	2007 $
Balance at beginning of financial year	122,993,385	106,436,002	39,436,350	35,087,042
Placement of shares, July 2007	-	12,000,000	-	3,120,000
Conversion of listed 30 cent options	-	4,373,883	-	1,311,908
Conversion of 40 cent options	-	183,500	-	73,400
Placement of shares, December 2008	18,400,000	-	368,000	-
Costs of capital raising	-	-	-	(156,000)
Balance at end of financial year	141,393,385	122,993,385	39,804,350	39,436,350

- In December 2008 the Company placed 18.4 million shares to various Investors at 2 cents per share to raise $368,000.

(a) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets in order to maintain sufficient funds necessary to continue its operations.

As a junior mineral explorer debt financing is not an option until such time as the Company's projects have reached a stage at which debt financing can be obtained, therefore the company considers its contributed equity as it's capital during this period.

Notes to the Financial Statements (Continued)

17. RESERVES

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
General Reserve	2,551,100	2,551,100	-	-
Financial asset revaluation reserve	2,872,076	12,567	2,872,076	12,567
Share based payments reserve	78,500	78,500	78,500	78,500
Foreign currency translation reserve	(584,211)	(1,162,270)	(212,276)	(99,617)
	4,917,465	1,479,897	2,738,300	(8,550)

Nature and purpose of reserves

General Reserve

The General Reserve arose from the issue of shares in MRC Resources Pty Ltd to an entity outside the economic entity.

Financial asset revaluation reserve

The financial asset revaluation reserve arises from the revaluation at balance sheet date of available for sale financial assets.

Foreign Currency Translation reserve

The foreign currency translation reserve records the unrealised foreign currency differences arising from the translation of operations into the presentational currency of the group. Refer to accounting policy Note 1(e).

Share Based Payments Reserve

The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised and the fair value of shares issued to employees.

18. ACCUMULATED LOSSES

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Accumulated losses at beginning of the year	(22,000,778)	(14,990,698)	(19,261,417)	(12,403,027)
Net profit (loss) attributable to members	(1,515,661)	(7,010,080)	(736,691)	(6,858,390)
Accumulated losses at end of the year	(23,516,439)	(22,000,778)	(19,998,108)	(19,261,417)

19 LOSS PER SHARE

	Consolidated	
	2008	2007
	$	$
Basic loss per share (cents per share)	(1.2)	(6.1)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	124,098,533	114,795,289
Loss used in the calculation of basic loss per share	(1,515,661)	(7,010,080)

The dilutive effect of the options has not been disclosed as the options were anti-dilutive.

Notes to the Financial Statements (Continued)

20. SEGMENT INFORMATION

(a) Geographical Segments

The consolidated entity has two geographical segments, Australia and South Africa.

	Australia		Africa		Discontinued Operations		Totals	
	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Revenue								
External segment revenue	594,589	761,556	14,632	3,748	2,006,859	-	2,616,080	765,304
Total segment revenue	594,589	761,556	14,632	3,748	2,006,859	-	2,616,080	765,304
Total Revenue							2,616,080	765,304
Result								
Segment result	(736,073)	(6,870,688)	(926,733)	(700,438)	(1,487,274)	(1,482,472)	(3,150,080)	(9,053,598)
Eliminations							1,634,419	2,043,518
							(1,515,661)	(7,010,080)
Income Tax expense		-		-			-	-
Net Loss for the year							**(1,515,661)**	**(7,010,080)**
Segment Assets and Liabilities								
Segment assets	9,682,494	8,908,272	11,112,290	9,017,969	3,043,220	3,740,968	23,838,004	21,667,209
Eliminations							(1,429,084)	(2,268,270)
							22,408,920	**19,398,939**
Segment liabilities	430,539	180,470	575,554	132,298	63,110	36,362	1,069,203	349,130
Net segment assets	9,251,955	8,727,802	10,536,736	8,885,671	2,980,110	3,704,606	21,339,717	19,049,809
Net entity assets							**21,339,717**	**19,049,809**
Investment in equity method associates included in segment assets	-	3,298,437	-	-	-	-	-	3,298,437
Share of net loss of associate	-	286,097	-	-	-	-	-	286,097
Acquisition of property plant & equipment	5,445	330,137	2,501	4,251	-	183,872	7,946	518,260
Depreciation	60,899	60,477	1,543	1,738	42,783	40,296	105,225	102,511

Notes to the Financial Statements (Continued)

20. SEGMENT INFORMATION (continued)

(b) Secondary Reporting

Business Segments
The consolidated entity operates in only one business segment being the field of exploration for mineral resources.

21. AUDITORS' REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and non-related audit firms:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Amounts received or due and receivable by auditors for:				
Auditors of the parent entity				
Audit and review	70,421	45,893	70,421	45,893
Non-related practice of the auditors				
Audit of subsidiaries	5,832	12,713	-	-
	76,253	58,606	70,421	45,893

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Key Management Personnel				
Short-term employee benefits	232,237	236,837	232,237	236,837
Post-employment benefits	3,963	3,963	3,963	3,963
Share-based payments	-	9,800	-	9,800
	236,200	250,600	236,200	250,600

Notes to the Financial Statements (Continued)

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Option holdings of key management personnel

The numbers of options over ordinary shares in the company held during the financial year by each director of Mineral Commodities Limited and other key management personnel of the Consolidated entity are set out below:

2008

Key Management Personnel	Balance at 1 January '08	Granted as Remu-neration	Options Exercised	Options Lapsed	Balance at 31 Dec '08	Vested and exercisable	Unvested
Mark Caruso	-	-	-	-	-	-	-
Joseph Caruso	-	-	-	-	-	-	-
Greg Steemson	-	-	-	-	-	-	-
Peter Torre	250,000	-	-	-	250,000	250,000	-

2007

Key Management Personnel	Balance at 1 January '07	Granted as Remu-neration	Options Exercised	Options Lapsed	Balance at 31 Dec '07	Vested and Exercisable	Unvested
Mark Caruso	3,089,547	-	-	3,089,547	-	-	-
Joseph Caruso	3,085,338	-	-	3,085,338	-	-	-
Greg Steemson	53,333	-	-	53,333	-	-	-
Peter Torre	-	250,000	-	-	250,000	250,000	-

(c) Shareholdings of key management personnel

The numbers of ordinary shares in the company held during the financial year by each director of Mineral Commodities Limited and other key management personnel of the Consolidated entity are set out below:

2008

Director	Balance at 1 January '08	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec '08
Mark Caruso	11,569,353	-	-	6,894,262	18,463,615
Joseph Caruso	11,556,726	-	-	6,894,262	18,450,988
Greg Steemson	210,000	-	-	1,300,00	1,510,000
Peter Torre	-	-	-	-	-

2007

Director	Balance at 1 January '07	Received as Remuneration	Options Exercised	Net change other	Balance 31 Dec '07
Mark Caruso	9,268,642	-	-	2,300,711	11,569,353
Joseph Caruso	9,256,015	-	-	2,300,711	11,556,726
Greg Steemson	210,000	-	-	-	210,000
Peter Torre	-	-	-	-	-

Joseph and Mark Caruso are both directors of Zurich Bay Holdings Pty Ltd which has a relevant interest in 18,450,988 shares

Notes to the Financial Statements (Continued)

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable that those the Group would have adopted if dealing at arm's length.

(d) Loans to key management personnel

There were no loans to key management personnel during the period.

(e) Other transactions and balances with key management personnel

There were no transactions or balances with key personnel except as disclosed in this note and Note 23.

23. RELATED PARTY TRANSACTIONS

There were no transactions with directors or director related entities during the financial period other than the payment of directors' remuneration as is disclosed on Note 22 and the payment of $8,454 for secretarial services provided by Minesite Constructions Ltd an entity in which Mr Joseph Caruso and Mr Mark Caruso are Directors and have a relevant interest in the Company.

Mineral Commodities Ltd is a shareholder in Allied Gold Ltd owning 15,534,379 shares or 3.78% of the issued share capital at balance date. Mark Caruso and Greg Steemson are also directors of Allied Gold Limited.

Wholly owned group

The group consists of Mineral Commodities Limited and its subsidiaries. Details of entities in the group are set out in Note 11.

Transactions between Mineral Commodities Limited and other entities in the group during the years ended 31 December 2008 and 31 December 2007 consisted of loans advanced and payments received and made on inter company accounts. These transactions were made on normal commercial terms and conditions and at market rates.

During the financial year, the Company provided management, accounting and administration services to other entities in the wholly-owned group.

An impairment loss was booked on the receivable from Kariba Kono and Blackhawk Oil & Gas Ltd; refer to Note 13(a) for more information. All other inter company receivables are expected to be receivable in full.

Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

Notes to the Financial Statements (Continued)

24(a) RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Profit/(loss) after income tax and outside equity interest	(1,515,661)	(7,010,080)	(736,691)	(6,858,389)
Depreciation	105,225	102,511	60,899	60,477
Unrealised foreign exchange loss/(gain)	-	-	-	3,085
Non bank interest income not in cash	-	-	(430,049)	(304,809)
Impairment losses	2,087,836	4,991,695	2,550,252	6,817,068
Management fees not received in cash	(45,000)	(75,000)	(140,685)	(111,183)
Share Based Payments	-	78,500	-	78,500
(Profit)/loss on sale of investment in listed companies	(471,562)	(539,419)	(471,562)	(539,419)
Provision – employee entitlements	(60,336)	48,563	(60,336)	48,563
Equity accounting adjustments	-	286,097	-	-
Exploration expenditure written off	157,663	186,867	157,663	186,867
Exploration expenditure capitalised	(2,505,464)	(2,233,094)	(157,663)	(144,611)
Other non-cash items	93,520	(49,696)	60,852	33,919
Changes in assets and liabilities during the year:				
Increase (decrease) in trade payables and other liabilities	778,017	(72,461)	308,013	(55,471)
(Increase) decrease in trade and other receivables	(1,740,988)	(255,192)	(1,800,877)	(157,886)
(Increase) decrease in prepayments	3,578	3,017	3,578	3,017
Net cash inflow / (outflow) from operating activities	(3,113,172)	(4,537,692)	(656,606)	(940,272)

24(b) NON-CASH INVESTING AND FINANCING ACTIVITIES

The group has no available finance facilities as at balance date.

Notes to the Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT

The Consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated entity.

The Consolidated entity does not hold any derivative financial instruments.

The Consolidated entity uses sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk, to measure different types of risk to which it is exposed.

Risk management is carried out by the Board of Directors.

The Consolidated entity and the parent entity hold the following financial instruments:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Financial Assets				
Cash and cash equivalents	797,328	2,177,864	256,698	2,150,627
Trade and other receivables	2,242,279	499,921	13,929,809	10,203,129
Available for sale investments	6,957,094	3,734,835	6,957,094	4,998,611
	9,996,701	6,412,620	21,143,601	17,352,367
Financial Liabilities				
Trade and other payables	1,041,056	349,130	402,374	180,452
	8,955,645	6,063,490	20,741,227	17,171,915

Market Risk

Foreign exchange risk
The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures primarily with respect to the South African Rand, Great British Pound, and US Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Consolidated entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated entity and the parent entity currently hold no derivatives or foreign exchange contracts to hedge their foreign exchange risk exposure.

Notes to the Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

The Groups exposure to foreign currency risk at the reporting date was as follows:

	31-Dec-08					31-Dec-07			
	Canadian $	US $	South African Rand	GB £	Sierra Leone Leones	Canadian $	US $	South African Rand	Sierra Leone Leones
Cash and cash equivalents	-	388	3,425,678	-	1,118,957	-	2,452	93,247	11,712,580
Trade and other receivables	-	-	465,448	-	1,240,280	-	-	1,095,385	1,250,000
Available for sale investments	5,882	-	-	-	-	11,628	-	-	-
	5,882	388	3,891,126	-	2,359,237	11,628	2,452	1,188,632	12,962,580
Trade and other payables	-	(4,704)	(3,764,126)	(16,360)	(5,489,600)	-	-	(793,782)	-
	5,882	(4,316)	127,000	(16,360)	(3,130,363)	11,628	2,452	394,850	12,962,580

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	31-Dec-08					31-Dec-07			
	Canadian $	US $	South African Rand	GB £	Sierra Leone Leones	Canadian $	US $	South Africa Rand	Sierra Leone Leones
Trade and other receivables	-	-	11,930,674	-	-	-	-	10,322,259	-
Available for sale investments	5,882	-	-	-	-	11,628	-	-	-
	5,882	-	11,930,674	-	-	11,628	-	10,322,259	-

Notes to the Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

Group and Parent entity sensitivity

Price Risk

The consolidated entity has an exposure to equity securities price risk. This arises from investments held by the consolidated entity and classified on the balance sheet as available for sale financial assets. Neither the Group nor the parent entity are exposed to commodity price risk.

		PRICE RISK			
		-20%		+20%	
2008	**Carrying amount $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Available for sale investments					
Listed Shares & Options	6,580,870	-	(1,316,174)	-	1,316,174
Unlisted shares	376,224	-	(75,245)	-	75,245
	6,957,094	-	(1,391,419)	-	1,391,419

		PRICE RISK			
		-20%		+20%	
2007	**Carrying amount $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Available for sale investments					
Listed Shares & Options	75,000	-	(15,000)	-	15,000
Unlisted shares	361,398	-	(72,280)	-	72,280
	436,398	-	(87,280)	-	87,280

Cash flow and fair value interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Deposits and current accounts held with variable rates expose the Group to cash flow interest rate risk. The Group does not consider this to be material to the group and have therefore not undertaken any further analysis of risk exposure.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures including outstanding receivables.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables held are with related parties and within the Group. Given this, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates.

Notes to the Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Board monitors rolling cash flow forecasts to manage liquidity risk. The only financial liabilities of the Group at balance date are trade and other payables, these amounts are unsecured.

As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group therefore had no credit standby facilities or arrangements for further funding in place.

The only financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30 day terms of creditor payments.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets, such as available for sale securities, is based on quoted market prices as at reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market such as unlisted investments is determined using valuation techniques where applicable. Where this is unable to be done they are held at cost.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

Notes to the Financial Statements (Continued)

26. SHARE BASED PAYMENTS

(a) Employee Option Plan

The establishment of the Mineral Commodities Employee Incentive Option Scheme was approved by shareholders at the 2006 annual general meeting. The incentive scheme is designed to provide long term incentives for senior staff to deliver long term shareholder returns. Under the plan, participants are granted options which vest immediately but are not exercisable until 30 September 2009. Participation in the plan is at the Boards discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within 10 business days.

Set out below are summaries of options granted under the plan:

Consolidated and parent entity – 2008

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
16-Nov-07	30-Sep-09	$0.30	1,250,000	-	-	-	1,250,000	1,250,000
23-Nov-07	30-Sep-09	$0.30	500,000	-	-	-	500,000	500,000
23-Nov-07	30-Sep-09	$0.40	500,000	-	-	-	500,000	500,000
			2,250,000	-	-	-	2,250,000	2,250,000

Weighted average exercise price $0.322

No options expired during the periods covered by the above table.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.75 years. (2007: 1.75 years)

Consolidated and parent entity – 2007

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
16-Nov-07	30-Sep-09	$0.30	-	1,250,000	-	-	1,250,000	1,250,000
23-Nov-07	30-Sep-09	$0.30	-	500,000	-	-	500,000	500,000
23-Nov-07	30-Sep-09	$0.40	-	500,000	-	-	500,000	500,000
			-	2,250,000	-	-	2,250,000	2,250,000

Weighted average exercise price $0.32

No options expired during the periods covered by the above table.

Notes to the Financial Statements (Continued)

26. SHARE BASED PAYMENTS (continued)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 31 December 2007 was between $0.02 and $0.039.

The fair value at grant date is independently determined using a Binomial option valuation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 31 December 2007 included:

(a) Options are granted for no consideration and vest immediately with no performance criteria required to be met; however there are rules if an employee terminates employment before exercising the options. Vested options expire 30 September 2009.

(b) Exercise price: $0.30 for 1,750,000 options and $0.40 for 500,000 options

(c) Grant date: 23 November 2007 for 500,000 options at $0.30 and 500,000 options at $0.40 and 16 November 2007 for 1,250,000 options at $0.30

(d) Expiry date: 30 September 2009

(e) Share Price at grant date $0.225

(f) Expected price volatility of company 's shares:50%

(g) Expected dividend yield: Nil

(h) Risk free Interest rate: 6.35%

The expected price volatility is based on historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Options issued under employee incentive option scheme	-	78,500	-	78,500
	-	78,500	-	78,500

Notes to the Financial Statements (Continued)

27. COMMITMENTS

(a) Non-Cancellable Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Within one year	78,297	69,720	78,297	69,720
Later than one year but not later than five years	79,000	147,000	79,000	147,000
Total	157,297	216,720	157,297	216,720

The operating lease is a rental agreement for the Company's office premises in Welshpool. The lease is for a 3 year term expiring on 15 February 2011. The lease provides for annual rent reviews to the higher of CPI or market.

(b) Exploration Tenement Leases – Commitments for Expenditure.

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity is required to outlay lease rentals and to meet the minimum expenditure requirements which are not considered to be material.

28 DISCONTINUED OPERATIONS

(a) Description

Kariba Kono (SL) Ltd

Due to the uncertainty regarding the outcome of the legal impediments in Sierra Leone provisions for impairment have been made against the value of exploration expenditure including the Number 11 Dump, fixed assets and loans owing to Mineral Commodities Ltd.

Blackhawk Oil & Gas Ltd

The Company is dormant and has no assets, accordingly a provision for impairment has been made against the value of Mineral Commodities investment in and loans receivable from Blackhawk Oil & Gas Ltd.

Notes to the Financial Statements (Continued)

28 DISCONTINUED OPERATIONS (continued)

(b) Financial performance and cash flow information

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Revenue				
Promet settlement	2,000,000	-	2,000,000	-
Other income	6,859	-	-	-
Total revenue	2,006,859	-	2,000,000	-
Expenses				
Site Operating expenses	(685,556)	(1,274,802)	(44,500)	(44,530)
General & administration expenses	(254,650)	(95,283)	(60,845)	(59,608)
Impairment of loans to subsidiaries	-	(3,606,608)	(1,446,278)	(3,277,369)
Impairment of fixed assets	(1,104,766)	(1,385,087)	(1,003,974)	(1,385,087)
Impairment of exploration asset	(983,070)	-	-	-
Impairment of investment in subsidiary	-	-	(100,000)	(2,154,612)
Total expenses	(3,028,042)	(6,361,780)	(2,655,597)	(6,921,206)
Loss before income tax	(1,021,183)	(6,361,780)	(655,597)	(6,921,206)
Income tax expense	-	-	-	-
Loss from discontinued operations	(1,021,183)	(6,361,780)	(655,597)	(6,921,206)

29 CONTINGENT LIABILITIES

There are no Contingent Liabilities.

30. SUBSEQUENT EVENTS

No event or transaction has arisen in the interval between the end of the financial year and the date of this report of a material and unusual nature that is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company or the Consolidated Entity, the results of those operations or the state of affairs of the Company or the Consolidated Entity in future financial years.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 including;
   (a) complying with Australian Accounting Standards, Corporations Regulations 2001; and other mandatory professional reporting requirements, and
   (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of the performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures set out on Pages 8 to 10 of the Director's Report comply with S300A of the Corporations Act 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:

Mark V Caruso
Managing Director
Dated at Perth, Western Australia this 31st day of March 2009

BDO Kendalls

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ABN 79 112 284 787

31 March 2009

The Directors
Mineral Commodities Ltd
Unit 15, Level 1
51-53 Kewdale Rd
Welshpool WA 6106

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF MINERAL COMMODITIES LIMITED

As lead auditor of Mineral Commodities Limited for the year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mineral Commodities and the entities it controlled during the period.

Peter Toll

Peter Toll
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.

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INDEPENDENT AUDITOR'S REPORT

To the members of Mineral Commodities Limited

Report on the Financial Report

We have audited the accompanying financial report of Mineral Commodities Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Qualification

As disclosed in the audit report to the financial statements for the year ended 31 December 2007, the Company had not consolidated two subsidiaries being Erebus Plc and Kariba Kono Ltd into the income statement, balance sheet, cash flow statement, statement of changes in equity or notes to

BDO Kendalls

the financial report as at 31 December 2006 due to the fact that the financial information was not considered reliable by the Board of Directors and ourselves.

As Erebus Plc and Kariba Kono Ltd are controlled by Mineral Commodities Ltd at 31 December 2006, all assets and liabilities of these subsidiaries should have been recorded within the consolidated balance sheet of Mineral Commodities Ltd. These assets and liabilities should have been recorded at their fair value at the date of acquisition, with any excess of consideration over the net assets acquired being recorded as goodwill. In addition the results of these subsidiaries from the date of acquisition (23 June 2006) should have been included in the consolidated income statement and the cash flows since acquisition to 31 December 2006.

As at 1 January 2007 the company consolidated Erebus Plc and Kariba Kono Ltd. As Erebus Plc and Kariba Kono Ltd incurred losses from the date of acquisition being 23 June 2006 until 31 December 2006 which were not recorded in the consolidated entity, this has had the effect of overstating the acquired assets and understating accumulated losses as at the date of consolidation (1 January 2007). The Company and ourselves were unable to quantify this amount.

Auditor's Opinion

(a) In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to quantify the amounts as explained above, the financial report of Mineral Commodities Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Mineral Commodities Limited for the year ended 31 December 2008, complies with section 300A of the Corporations Act 2001.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Peter Toll

Peter Toll
Director

Perth, 31st March 2009

Statement of Corporate Governance

The Board of Directors of Mineral Commodities Limited (MRC) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange (ASX) Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company's corporate governance practices were in place throughout the year and are compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are noted below.

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the Board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

A summary of the corporate governance policies and practices adopted by MRC is set out below.

Role of the Board of Directors

The Board of MRC is responsible for setting the Company's strategic direction and providing effective governance over MRC's affairs in conjunction with the overall supervision of the Company's business with the view of maximising shareholder value. The Board's key responsibilities are to:

(a) chart the direction, strategies and financial objectives for MRC and monitor the implementation of those policies, strategies and financial objectives;
(b) monitor compliance with regulatory requirements, ethical standards and external commitments;
(c) appoint, evaluate the performance of, determine the remuneration of, plan for the succession of and, where appropriate, remove the Chief Executive Officer if in place or similar person acting in the executive capacity; and
(d) ensure that the Board continues to have the mix of skills and experience necessary to conduct MRC's activities, and that appropriate directors are selected and appointed as required.

In accordance with MRC's Constitution, the Board delegates responsibility for the day–to–day management of MRC to the Managing Director (subject to any limits of such delegated authority as determined by the Board from time to time). Management as a whole is charged with reporting to the Board on the performance of the Company.

Board structure and composition

The Board currently is comprised of 3 directors, none of which are independent non–executive Directors. Details of each director's skill, expertise and background are contained within the directors' report included with the company's annual financial statements.

Independence, in this context, is defined to mean a non–executive Director who is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of MRC. The definition of independence in ASX Recommendation 2.1 is taken into account for this purpose.

It is the Board's intention to increase the size of the Board as the scale of activities develops, and such expansion will see an introduction of independent non-executive directors. In the absence of such scale, the Board does not believe that the existence of further independent non-executive directors would be of benefit to the Company.

Details of directors' shareholdings are disclosed in the directors' report and financial report. There are no retirement schemes other that the payment of statutory superannuation contributions.

Statement of Corporate Governance (Continued)

Any equity based compensation of directors is required to be approved in advance by shareholders.

Presently, the roles of Chairman and Managing Director have been separated.

The Managing Director is responsible for supervising the management of the business as designated by the Board. This ensures the appropriate independent functioning of the Board and management.

MRC's non–executive Directors may not hold office for a continuous period in excess of three years or past the third annual general meeting following their appointment, whichever is longer, without submitting for re–election. Directors are elected or re–elected, as the case may be, by shareholders in a general meeting. Directors may offer themselves for re–election. A Director appointed by the Directors (e.g., to fill a casual vacancy) will hold office only until the conclusion of the next annual general meeting of MRC but is eligible for re–election at that meeting.

Under MRC's Constitution, voting requires a simple majority of the Board. The Chairman holds a casting vote.

The Company has procedures enabling any director or committee of the board to seek external professional advice as considered necessary, at the Company's expense subject to prior consultation with the Chairman. A copy of any advice sought by a director would be made available to all directors.

Board and management effectiveness

Responsibility for the overall direction and management of MRC, its corporate governance and the internal workings of MRC rests with the Board notwithstanding the delegation of certain functions to the Managing Director and management generally (such delegation effected at all times in accordance with MRC's Constitution and its corporate governance policies).

An evaluation procedure in relation to the Board, individual Directors and Company Executives has not taken place. Given the small scale of the Company's current activities, the performance of the executives and directors is easily monitored and discussed in Board meetings. Once the nature and scale of activities increases, the Company will initiate formal evaluation procedures.

Financial reporting

The Managing Director and the Company Secretary are required to state in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results in accordance with the relevant accounting standards and are founded on a system of risk management and internal compliance and control and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Committees of the Board of Directors

The Board has not established any permanent committees, namely an Audit and Risk Committee and a Remuneration and Nomination Committee. The Board and scale of actives is not of a sufficient size to warrant separate committees in this regard.

In the absence of an audit committee, the entire Board undertakes the function of an audit committee. The duties of this committee include:

- to be focal point of communication between the Board, management and the external auditor;
- to recommend and supervise the engagement of the external auditor and monitor auditor performance;
- review the effectiveness of management information and other systems of internal control;
- review all areas of significant financial risk and arrangements in place to contain those to acceptable levels;
- review significant transactions that are not a normal part of the Company's business;
- review the year end and interim financial information and ASX reporting statements;
- to monitor the internal controls and accounting compliance with the Corporations Act, ASX Listing Rules, external audit reports and ensure prompt remedial action where required; and
- review the Company's financial statements and accounting procedures.

The Company's auditor is invited to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

Statement of Corporate Governance (Continued)

Timely and balanced disclosure

MRC is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company. Additionally, MRC recognises its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Board informs shareholders of all major developments affecting the Company by:

- Preparing half yearly and annual financial reports and making these available to all shareholders.
- Preparing quarterly activity and cash flow reports.
- Advising the market of matters requiring disclosure under Australian Stock Exchange Continuous Disclosure Rules.
- Maintaining a record of significant ASX announcements on the Company's website.
- Submitting proposed major changes in the Company's affairs to a vote of shareholders, as required by the Corporation Law.
- Reporting to shareholders at annual general meetings on the Company's activities during the year. All shareholders that are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Company.

The Company does not have a formal disclosure policy however, the Board and management are aware of their responsibilities in respect of identifying material information and coordinating disclosure of that information where required by the ASX Listing Rules.

Ethical and responsible decision–making

Code of Conduct
The Board has created a framework for managing the Company including internal controls, business risk management processes and appropriate ethical standards.

The Board has adopted practices for maintaining confidence in the Company's integrity including promoting integrity, trust, fairness and honesty in the way employees and Directors conduct themselves and MRC's business, avoiding conflicts of interest and not misusing company resources. A formal Code of Conduct has not been adopted for all employees and Directors of MRC due to the total number of employees and directors' only being 6.

Securities Trading Policy
The Company has adopted a policy that imposes certain restrictions on directors and employees trading in the securities of the Company. Key aspects of the policy are:

- All directors and employees are to formally notify the Company Secretary of their beneficial shareholdings in the Company and any changes to this within 2 days of such change occurring. The Company Secretary maintains a register of interests in the Company held by directors.
- No director or employee or any entities controlled by them is allowed to trade in the securities of the Company without notifying the Chairman.
- No director or employee or any entity controlled by them is allowed to engage in the business of active dealing in the Company's securities.
- A director or employee or any entities controlled by them must not trade at any time when he or she is in possession of information which if generally available would materially affect the price or value of the Company's securities.

Other Information

The ASX guidelines also prescribe that the Company should maintain a dedicated corporate governance information section on its website. Such a dedicated information section is not presently available on the Company's website, although the annual financial report will be posted to the website and the Statement of Corporate Governance can be viewed there.

Shareholder Information

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 13 April 2009.

Twenty Largest Shareholders

Name	Number of Ordinary Shares	Percentage of Issued Shares
HSBC Custody Nom Aust Ltd	24,747,009	17.50%
Zurich Bay Holdings Pty Ltd (Minesite Construction A/C)	18,450,988	13.05%
ANZ Nominees Ltd	6,301,552	4.46%
Keng Heng Goh	5,175,000	3.66%
Kathryn Yule	4,800,000	3.39%
Specialist Hearing Services Pty Ltd	4,500,000	3.18%
Kevin Anthony Leo and Leticia Leo	3,400,000	2.40%
Mr Isaac Cohen and Mrs Estelle Mary Cohen and Mr David Peter Cohen	2,500,000	1.77%
Mr David Geoffrey Vincent and Mrs Guiseppina Antonina Vincent	2,050,000	1.45%
National Nominees Limited	2,008,482	1.42%
Mr Gregory Hugh Steemson and Mrs Barbara Fay Steemson (GH Steemson Family Super Account)	1,510,000	1.07%
Mr Anthony Grant Melville and Mrs Elaine Sandra Melville (Melville Super Account)	1,500,000	1.06%
International Mining Services Ltd	1,500,000	1.06%
Robert Cameron Galbraith	1,459,221	1.03%
Ms Kathryn Yule	1,282,500	0.91%
Mr Emanuel Richard Brian Dillon (The Complete A/C)	1,235,652	0.87%
Mr David Phillip Whitehead and Mrs Linda Susan Whitehead (Dalin Super Fund A/C)	1,100,000	0.78%
Mr David Geoffrey Vincent (The Canella family A/C)	1,036,000	0.73%
Mr Ian Thomson	1,000,000	0.71%
Kingarth Pty Ltd	1,000,000	0.71%
	86,556,404	**61.22%**

Shareholder Information (Continued)

Distribution of Shareholders and Option holders

Range of Holdings	Number of Shareholders	Number of Shares
1 – 1,000	126	42,841
1,001 – 5,000	421	1,465,244
5,001 – 10,000	203	1,694,681
10,001 – 100,000	434	16,453,123
100,001 – and over	145	121,737,132
Total holders	1,329	**141,393,021**

Marketable Parcels

Number of shareholders holding less than a marketable parcel of ordinary shares is 759.

Voting Rights

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every share held.

Option holders have the right to attend meetings but have no voting rights until the options are exercised.

Substantial shareholders

The following shareholders are considered substantial shareholders:

- Mirabaud Investment Limited holding 9.30% of the issued ordinary shares at the date of their last substantial interest notice to the Company.
- Zurich Bay Holdings Pty Ltd holding 13.05% of the issued ordinary shares.

Restricted securities

There are no restricted securities.

Share buy backs

There is no current on market share buy back.

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